QUICK HITS

ALMOST DONE

The Portland Development Commission is seeking developers for the last two parcels in the RiverPlace neighborhood.

The deadline to submit proposals for the parcels is Friday, April 6.

One parcel is a 2.10 acre site on Southwest River Parkway, a few blocks from The Strand, a recently completed condominium project. Proposals for the site must include 100 units of affordable housing as well as space for ground-level retailers. There is a strong preference at that site for a grocery store, which would serve the RiverPlace and South Waterfront neighborhoods.

The second parcel is two blocks from the Willamette River and is immediately south of The Strand. It is served by a Portland Streetcar stop. The development commission said it will be flexible on how the property is developed. Plans call for a mix of residential and/or commercial use. Proposals are expected to be distinctive, pedestrian-oriented and follow the U.S. Building Council's environmentally-friendly design criteria.

The neighborhood is part of the commission's North Macadam Urban Redevelopment Area.

The full request for proposals is at the PDC Web site, pdc.us/rfp-frq. For information, contact Geraldene Moyle, 503-823-3420.

THE WHOLE DEAL

The Whole Foods natural-food grocery chain of Austin, Texas, is buying rival Wild Oats of Colorado.

Both companies have presences in the Portland-area, and, in Wild Oats' case, throughout the state.

Interestingly, Tigard is home to a Wild Oats and Whole Foods a stones throw away from each other.

That leads one to wonder which one will remain open.

Add to that question there's a shuttered Wild Oats store less than a mile away from the new stores.

CORRECTIONS

PHOTO CAPTION ERROR

A photo caption in last week's issue incorrectly identified Tomas Endicott. He is a founder and one of three managing partners of Portland-based SeQuential Biofuels. Dave Garten is the company's CEO.

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Cuts jeopardize manufacturing plan

A slash in federal funding would hit Oregon hard

BY MATTHEW KISH
BUSINESS JOURNAL STAFF WRITER

A huge cut in federal funding could hobble the momentum of the state's burgeoning manufacturing industry. President Bush's proposed budget calls for a 56 percent reduction in the $106 million budget for the Manufacturing Extension Partnership for fiscal year 2008.

Unless Congress acts otherwise, 42 states could lose all federal funding for the program, which is a favorite among small manufacturers and provides business development services. It's unclear at this point how much funding Oregon could lose.

It's unclear, however, how much money Oregon would lose if Congress does not adjust the president's proposal. More than likely states would reapply for funding if the cut passes. Funding would probably not be reduced by 56 percent across the board.

But that's little consolation for local program supporters.

"The timing's absurd to do this," said Pat Murphy, executive director of the Oregon Manufacturing Extension Partnership, the state's arm of the program.

Local manufacturers call it a proven economic development program and question why the federal government would slash funding for something that creates well-paying jobs for a modest investment.

Essentially, Murphy's 21 troops act as business consultants. They work with small manufacturers to streamline practices and implement the lean strategies popularized by Toyota. It has offices in Beaverton, Eugene, Bend and Medford.

Between July 2005 and December 2006, the program helped Oregon manufacturers increase or retain $54.7 million in sales and nearly 900 jobs.

If the cuts go through, business owners worry that Oregon's program will have to raise the rates charged to clients, which could make it too expensive for many small manufacturers. At roughly $1,000 per day, it charges slightly less than other big-name consulting firms.

"In practical terms, it will make them seek richer clients, which will move them away from that small- and even medium-sized client base," said Pete Murray, vice president of operations in the Beaverton office of Skaneateles Falls, N.Y.-based Welch Allyn Medical Products.

But that's exactly what the Bush administration proposes. The president wants the centers to charge more and become self-sufficient. That's a sharp change in direction. The program was designed to work with the federal government, the state and clients each chipping in one-third of the overall budget.

Oregon's program is already cobbled together. It receives roughly $775,000 from the federal government annually. The state has kicked in $250,000 each of the past four years. The remaining portions of the program's $5 million budget comes from client fees and two grants.

Unfortunately, each of the multi-year grants, one for $3 million and one for $3.1 million, expire by the end of the year, putting the program in a bind, even without the loss of federal funding. No opportunities exist to replace the grants, which fund half of the program's employees.

The dire situation prompted Murray to fly to Washington, D.C. last week to testify about the cuts in front of the House Subcommittee on Technology and Innovation, chaired by Oregon Rep. David Wu. In his testimony, Murray spelled out the savings Welch Allyn has achieved after two years working with OMEP.

Wu

"The tagline is we've saved nearly $1 million in direct expenses," he said.

The company has also cut inventory by $500,000 and hired nearly 200 workers, bringing total employment to 460. Welch Allyn has only spent $250,000 on the services, giving it a solid return on investment. Murray was so impressed with the program he joined its board of directors last year.

Whether his efforts to restore funding will be successful remains to be seen. The program has been the target of the ax for the past five years, but has managed to avoid deep cuts in most years.

Regardless, Murray and Murphy plan to turn up the heat on Oregon legislators in hopes of getting more state funding.

If all of the efforts are unsuccessful, the program would either have to stretch its staff thinner, take on additional clients or raise fees. Layoffs are also possible.

Local manufacturing officials say the proposed cut comes at a time the state is bucking the national trends in manufacturing employment and could threaten the momentum of the industry. Nationwide, the number of manufacturing jobs declined by nearly 17 percent to 14.3 million between 2000 and 2004, according to the U.S. Census Bureau. In that time, the number of manufacturing jobs in Oregon only decreased 10 percent.

The number of manufacturing jobs in Oregon is expected to grow 3 percent to 205,500 between 2004 and 2014, according to the Oregon Employment Department.

Local manufacturers support the program.

"They're helping us be more competitive without having to raise prices," said Clyde Baker, president of Clackamas-based CRB Manufacturing, which makes metal parts for a variety of industries.

The company started working with OMEP last June and has since cut production time on some products in half, not easy for a company that's been around for 25 years.

While he has yet to figure out what sort of return he's gotten on his $30,000 investment, Baker said it's been a wise expense.

"We're making some huge headway. They've helped us get more of the market."

mkish@bizjournals.com | 503-219-3414

LifeFlight reorganized into business venture

BY ROBIN J. MOODY
BUSINESS JOURNAL STAFF WRITER

Portland's largest hospital systems are taking off with a plan to make the LifeFlight medical transport service a joint business venture.

LifeFlight Network, a life-saving service that transports critically ill people to the hospital by helicopter, will be incorporated as a limited liability corporation.

Under the new model, ownership will be divided so that Oregon Health & Science University and Legacy Health System each hold 47 percent of the venture. Providence Health System will own 6 percent.

LifeFlight was previously operated under a less-formal consortium agreement. Profits and losses were split between Legacy, OHSU and Providence based on the number of patients admitted to hospitals in the respective systems.

New ownership ratios may be tweaked based on future flight volumes. Partners have also agreed not to introduce competing services.

LifeFlight's services are concentrated in a 150-mile radius around Portland.

With two helicopters and a 30-person medical and flight crew, LifeFlight will continue to be housed at Legacy Emanuel Hospital, a designated trauma center. Legacy and Oregon Health & Science University admit the majority of LifeFlight patients because of expertise in trauma care.

PHOTO COURTESY OF LIFEFLIGHT

Local hospitals are looking at ways to formalize agreements for the operation of LifeFlight, which serves a 150-mile radius around Portland.

Legacy Emanuel will no longer carry the weight of working capital for flight service under the revised model. The North Portland hospital previously fronted cash for capital purchases and maintenance costs, and later sought reimbursement from consortium members. The books will be transferred to the new entity this spring, and the search for a LifeFlight executive director is ongoing.

Although earnings have fluctuated over the years, LifeFlight provided a profitable service between 2003 and 2006. The service's annual budget is about $8 million, and it earned net income of $416,925 in 2006, compared to net income of $61,633 in 2005. Prior to 2003, the service reported net losses for at least six years.

Flight volumes, repair costs and weather conditions all play in to the profitability of the service. A single rescue flight costs between $6,000 and $6,500, Legacy officials said. Patients' private automobile insurance coverage foots about 30 percent of the bill.

Net income gains in recent years have been held by Legacy Emanuel, and will be used to furnish the new business venture with a financial cushion.

"As we took a look at the evolution of the service and the relationship, [the partners] said we'd be better served by forming an LLC," said Ted Schreck, senior vice president for operations at Legacy Health System. "It's a more detailed legal document, with more definition in terms of rights and responsibilities."

LifeFlight was originally formed 29 years ago by Legacy Emanuel Hospital — although for a period of time local hospitals offered competing services.

In 1993, the three hospital systems came together and reorganized the service under the consortium model.

rmoody@bizjournals.com | 503-219-3438